

## Information Services Board Briefing Paper on the Washington State Lottery On-Line Vendor RFP Proposal

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**Description:** The Washington State Lottery contract for online gaming services and instant ticket accounting services expires on June 30, 2004. The Lottery is seeking approval to release a Request for Proposal (RFP) seeking an experienced vendor to provide hardware and software to operate the Lottery's instant and online lottery games beginning July 1, 2004. The Lottery will issue the RFP to all vendors interested in providing online gaming and instant ticket services. The procurement must be completed by June 2003 to allow one year to prepare a smooth transition on July 1, 2004. The Lottery will be seeking a six-year contract that allows up to four one-year extensions. The approximate value of this procurement is over \$88 million on a six-year basis or \$147 million on a ten-year basis. The annual cost is projected to be \$14.7 million.

**Background:** Since the start of the Lottery's Daily Game and Lotto game in 1984, the Lottery has contracted with an outside vendor to provide lottery gaming services. The vendor is paid a percentage of the revenues generated from the sale of lottery tickets. The Lottery's current vendor is GTECH Corporation. GTECH gaming software is the basis for Lottery games and the validating of lottery tickets. GTECH also provides approximately 3,600 terminals in retailer locations to process Lottery transactions. GTECH hosts the operation from a center in the Olympia area.

**Status:** The Lottery has been working with the Department of General Administration's Office of State Procurement (OSP). OSP issued a Request for Information (RFI) on behalf of the Lottery and will issue the RFP. The RFI drew responses from five vendors. Three vendors demonstrated that they would be able to fulfill the requirements of an RFP.

The Lottery has been reviewing the activities in other states. A team of managers from the Lottery has visited states that have most recently selected a new vendor to gather information in critical areas such as retailer services, information services, legal services, and marketing and sales. Knowledge gained from those visits will be reflected in the RFP.

Key milestones for the Lottery procurement are:

|                                     |                |
|-------------------------------------|----------------|
| Release of the RFP                  | June 2002      |
| Proposals Due                       | September 2002 |
| Announce Apparent Successful Vendor | December 2002  |
| Sign Contract                       | March 2003     |
| System Ready                        | March 2004     |
| System Implementation               | June 30, 2004  |

**Issues:** The risks associated with conversion to a Lottery system involve many areas:

- equipment and software that host the gaming applications
- switching to new networks, and
- new retailer equipment in the retail outlets.

Security of the vendor's network is critical, as is the auditability of the vendor's applications in real time to assure system integrity. The new system must be installed with no interruption in sales. All terminals will switch from the current system to the new system on the same day. The Lottery sees an early start with good planning and a strong current state of technology in the lottery industry as mitigating factors.

**Recommendation:** DIS recommends approval of the Lottery's request to release an RFP for the new Lottery gaming system. DIS will continue to monitor the progress of the project.